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T O P S E C R E T STATE 180639

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-STADIS FOR A/BS GATES AND UNGER AND CON GEN CROSS

E.O. 11652: XGDS-3

TAGS: PFOR, TW, CH

SUBJECT: DEVELOPMENTS IN THE TAIWAN STRAIT

REF: STATE 164431, HONG KONG 8319

1. WE APPRECIATED THE COMMENTS AND RECOMMENDATIONS SUB-MITTED BY HONG KONG AND TAIPEI ON THIS SUBJECT.

2. THE FOLLOWING IS EA'S AND INR'S PRELIMINARY ASSESSMENT OF THE SIGNIFICANCE OF RECENT MILITARY ACTIVITY IN THE TAIWAN STRAIT AREA.

BEGIN TEXT:

FOR SOME WEEKS WE HAVE BEEN WATCHING UNUSUAL PRC MILITARY ACTIVITY IN THE AREA WHERE THE FUCHOU MILITARY REGION (MR) ABUTS ON THE KWANGCHOU (CANTON) MR. THIS ACTIVITY HAS

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INCLUDED:

--A MODERATE CONCENTRATION OF NAVAL FORCES AT THE SOUTH-WESTERN END OF THE TAIWAN STRAIT;

-- SOME IMPROVEMENT IN PRC AIR FORCE CAPABILITY IN THE AREA OPPOSITE TAIWAN;

-- THE FIRST REPORTED PRC SHELLING SINCE 1970 OF AN UNOCCUPIED ISLAND (IN THE VICINITY OF THE ROC-HELD OFF-SHORE ISLANDS OFF AMOY) THAT HAS PERIODICALLY BEEN USED FOR ARTILLERY CALIBRATION BY BOTH SIDES.

THESE DEVELOPMENTS, WHILE DISTURBING, DO NOT PROVIDE GROUNDS FOR SERIOUS ALARM. IN ESSENCE, THIS IS BECAUSE THE MILITARY BUILD-UP IS TOO LIMITED TO PROVIDE A CAPABILITY FOR MAJOR MILITARY MOVES AND BECAUSE WE DOUBT THAT THE PRC--EVEN WITH UNHELPFUL LEADERSHIP SHIFTS--WOULD IGNORE THE SERIOUS POLITICAL FALL-OUT THAT WOULD ACCOMPANY ANY OFFENSIVE ACTION. IT SEEMS LIKELY THAT THE ACTIVITY IS PRIMARILY ASSOCIATED WITH A MILITARY EXERCISE IN THIS AREA, POSSIBLY INTENDED, AT LEAST IN PART, TO EXERT PSYCHOLOGICAL PRESSURE ON TAIWAN. (PRC VICE PREMIER CHANG CH!UN-CH!IAO TOLD SENATOR SCOTT, JULY 13, THAT THE PRC HAD BEEN CONDUCTING "SMALL-SCALE MILITARY EXERCISES" IN FUKIEN AND ADDED, WITH APPARENT SATISFACTION, THAT "TAIWAN IS VERY NERVOUS.") WE ALSO DO NOT EXCLUDE THE POSSIBILITY THAT THE ACTIVITY REFLECTS HEIGHTENED SECURITY PRECAUTIONS IN ANTICIPATION OF MAO'S DEATH.

ON THE MILITARY SIDE:

--THERE IS NO EVIDENCE OF THE INTENSIVE NATIONAL-LEVEL INVOLVEMENT WHICH WOULD NORMALLY ACCOMPANY A MAJOR OPERATION AND WHICH US INTELLIGENCE ANALYSTS ARE REASONABLY CERTAIN WE WOULD BE ABLE TO DETECT.

--THE OBSERVED ACTIVITIES ARE CONSISTENT WITH A GRADUAL AUGMENTATION OF PRC NAVAL FORCES IN THIS AREA WHICH HAS BEEN UNDER WAY FOR SEVERAL YEARS AND WHICH HAS BEEN

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY